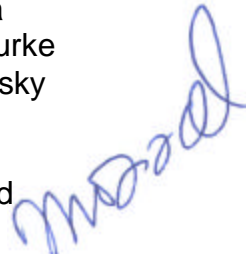


MARGARET DONNELLAN TODD
COUNTY LIBRARIAN

June 9, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Margaret Donnellan Todd
County Librarian



SUBJECT: **APPROVAL OF LIBRARY SPECIAL TAX RATE FOR 2006-07
CONTINUED FROM MAY 30, 2006 AGENDA**

This report is to provide additional information, as requested, regarding the Public Library's recommendation that the Board approve a 2% increase in the Library special tax rate for Fiscal Year 2006-07. This item was continued from the May 30 Board agenda to June 13. The Public Library's 2006-07 Proposed Budget assumes the collection of \$12,211,000 in voter-approved special tax revenues, which is an increase of \$239,000 over the previous year. This increase requires Board approval of the proposed special tax rate for Fiscal Year 2006-07 as recommended. This increase is necessary to maintain current service levels at the 44 affected libraries.

Background

The special tax for library services was approved by voters as Proposition L on June 3 1997, and replaced the County's Community Facilities District No.8 assessment for library services. The revenues generated by the special tax are used to augment services in 44 libraries serving the areas subject to the special tax. These include 29 libraries located in unincorporated areas, and 15 libraries in the 11 cities of Cudahy, Culver City, Duarte, El Monte, La Canada Flintridge, Lakewood, Lomita, Lynwood, Maywood, Santa Clarita, and West Hollywood.

Since implementation of the special tax in 1997, the revenues generated have made it possible for the Public Library to increase and maintain the number of service hours open to the public in the 44 affected libraries from a total of 1,517 hours per week to 2,027 hours per week. Therefore, the special tax allows the Public Library to provide a 34% higher level of weekly service hours to the public in those 44 libraries than would be possible without the special tax revenues (see Attachment A). In addition to the increase in service hours, the special tax revenues provide an augmentation of \$2.32 million dollars in the annual base budget for books and other library materials for these libraries.

Tax Rate Adjustments

The voter-approved special tax measure provides for a maximum annual adjustment in the tax rate per parcel of 2%, or the percentage change in the California Consumer Price Index (CCPI) for the prior fiscal year, whichever is less. Attachment B provides an analysis of the annual tax rate adjustments and the annual CCPI increases as determined by the California State Board of Equalization. Since the special tax was implemented in 1997-98, the tax rate per parcel has increased, with Board approval, from \$22.00 in 1997-98 to \$25.72 in 2005-06. This represents an increase of 16.91% over nine years. If the rate reflected the full annual CCPI inflation, the rate for 2005-06 would be \$27.48 per parcel. The CCPI inflation rate would require an 8% larger increase than the current Board-approved tax rate.

As illustrated in Attachment B, the approved increases in the tax rate have not kept pace with the CCPI. As a result, the gap in increased annual operating costs at special tax libraries has been absorbed by other revenue sources, such as property tax and County General Fund contributions, to maintain service levels.

Operating Cost Increases

Attachment C compares actual year-end operating costs. The Public Library's actual year-end expenditures have increased from 1997-98 to 2004-05 by an overall compounded percentage of 56.55%. While this expenditure increase is for all libraries, including special tax libraries, the Department's actual cost of operations has increased substantially more than both the CCPI annual increases and the approved special tax rates.

If the special tax were to be replaced by another revenue source, as a matter of equity such replacement should provide for service improvements at the libraries in all 51 cities and the unincorporated areas served by the Public Library. It would need to be a permanent revenue stream with cost escalation provisions. However, in order to serve the additional 44 libraries not currently participating in the special tax, a replacement revenue would require a significant increase in funding. Proposition 62 funding would not meet this requirement because it can be used only in the unincorporated areas.

The question was raised: when would the special tax inflation adjustment not be requested? The special tax would not be increased by the maximum 2% in any year that the increased actual cost of providing the enhanced service is not equal to or greater than the 2% inflation increase. The Library special tax is unique in the County in that unlike the Fire Department District special tax and the Trauma tax, the Library special tax does not include the entire library district. When passed, the County committed that the special tax would pay for enhanced services in the 11 cities and unincorporated areas. The County, however, also committed to those cities who chose not to participate, that although they would not receive those specific enhanced services, those cities would not be otherwise disadvantaged.

Conclusion

Over the past decade, the revenue streams funding the County Library have become more complex with constant pressure from communities to ensure that they receive their fair share. The General Fund contribution is not adjusted for inflation or increased costs and the Special tax is increased only at a maximum of 2% per year. Therefore, increases in property tax are the Department's only means to meet ongoing inflation and increases in operating costs.

In order to offset a portion of the ongoing increased cost of improved service hours at the 44 special tax libraries, I recommend Board approval of the 2006-07 tax rate at \$26.23 per parcel.

MDT:DF:jm

Attachments

c: Executive office, Board of Supervisors
Chief Administrative Officer
Auditor-Controller